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## COMPETITION AS A SAFEGUARD TO NATIONAL WELFARE

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We need to remember and as constantly forget that free competition, like personal freedom, is the last child of promise and of the constitutional covenant born to organized society. Civilization and a very high civilization may exist without free competition, free contract or personal freedom. It may exist where these are the portion for but the few, as in a Hellenic city state. But free competition, free contract and personal freedom for all men is the last gift of high civilization. This has only existed for a century in England. It is just half a century old in this country, and began with the abolition of human slavery. The real issue, threatened on the one side by the directing forces of capital who seek to continue monopoly and privilege through the trust, and threatened on the other by the laboring forces of society through trades union, without violence in the American Federation of Labor and with violence in the Industrial Worker of the World, is whether, these three precious gifts of slow time and a long martyr roll shall be preserved in the industrial development of society now before us, or destroyed entirely by these two agencies. Capital seeks monopoly at the cost of free competition, free contract and the personal freedom and equality of choice and use in any trade, transportation, production or manufacture, because the directing minds of the capitalized industrial forces of society honestly believe that their complete and efficient development is only possible at the sacrifice of free competition. The directing minds of labor, aided by all economic students who have acquired or inherited the college settlement type of mind,—most useful in modern society but more interested in the distribution of the product than in efficient production,—as honestly believe that a larger and adequate share in the product of the joint effort of capital and labor can only be secured through the frank surrender, by the individual, of free contract, free competition and the personal

freedom of a free choice of any pursuit or labor, for which a man is fitted on even terms with every other man.

Trust and union are equally honest in their claim. It is an error to think that those who manage trusts are seeking solely the wealth which they will obtain. Every able man in this field is interested as much in accomplishing great things as in amassing a great fortune and his conviction is that free competition, free contract and complete personal liberty in all commercial relations cannot be permitted without injury to industrial development. The trades union and its leaders alike believe, as John Mitchell said nine years ago to the anthracite miners, that it has ceased to be possible for men to rise, that a stratified organization of society must be accepted and that those on a particular level of ability must be satisfied to take less than they could earn under a system of free competition and free contract, in order that the average may be raised for those who are less able, less industrious and less efficient. Both these new economic forces, the trust and the union, will endure and do great good, but neither can be allowed to limit free competition, free contract and personal freedom.

This proposal to sacrifice these rights to industrial development, on the one side, and to a higher average wage, on the other, is the more easily made because these rights are recent, not yet part of the common consciousness of society. Under mediæval conditions free competition did not and could not exist. When land transportation is carried on by sumpter-mules, moving at three miles an hour on a dirt road, burdened with the cost of a guard against highway robbers, each city is an independent economic integer. When famine comes, it is not possible, under these conditions, to carry grain to save the starving a distance of over one hundred and fifty or two hundred miles. To-day, in the East, in places which are separated by these intervals, plenty may exist in one tract and starvation unto death in another. The mediæval city was an economic world to itself. Within its limits the guild jealously guarded a monopoly of each particular mechanic art and the members of the guild, enjoying "the freedom" of a particular trade, were able to exclude wholly anyone else from joining in it. The denial of the personal freedom of the choice of any trade wholly cut off free competition, free contract and the personal freedom of the individual. This endured in France until it was ended by the Revolution. It existed over Europe until it was ended

by statutes passed at various dates between the opening of the nineteenth century and the organization of modern states, the last of them in Germany, Austria-Hungary and Italy. Over great tracts of Russia and nearly all of Asia general competition between regions in trade, products and supplies is limited to the wares and articles used by the few. Except on the sea coast and as foreign wares penetrate the interior, the free competition which cheap transportation, free to all, has introduced into the modern economic world does not and cannot exist. As every one knows, caste in India is primarily an economic and industrial and not a religious division of society. Nearly all the castes are, historically, comparatively recent. When population began to impinge on food, free competition, in the supply of food, which the triple expansion engine and the modern railroad have brought, was wholly absent. In each congested village and city population in India where no one had ever known free competition and free contract, it was easy to seam and divide society by groups which excluded all other men from the particular vocation which each selected, which guarded their civil right by religious rites, under a primitive faith, which turned in worship to whatever had power, and, as this organization became hereditary, there gradually grew that mingled product of industrial conditions, of ancestral employment, of religious sanction and of social separation which constitutes the Hindu caste. The like appears in our own day. The law under which a commission of anthracite miners decide who shall become an anthracite miner and suspend the operation of examining and certifying to new miners, whenever a strike comes, is the first step to an anthracite miners' caste. The trades unions, familiar in every city, to which it is difficult to secure an election for any but the sons of members, the kin of those in whom they are interested, are another nascent step towards the denial, in the trade which they control, of free competition, free contract and personal freedom of the choice of vocation for each man, without any test or bar, except such as the law itself may impose, open to all to prove proficiency by examination.

The regime of free competition, free contract and personal freedom, which is constantly treated in all discussions of this sort as immemorial, is, in fact, the recent product of civil liberty, cheap transportation and the rapid increase of product under the factory system. But for free transportation the factory would not have

grown beyond the product of what would satisfy the region which it served. In the Knight sugar cases the government sought to show that the sugar melted could not be consumed in the territory immediately around the factory, and the court refused to consider such testimony, but, as a matter of fact, except for the railroad the sugar refinery of to-day, like the refinery of the early part of the eighteenth century when sugar was still a luxury, would be forced to limit itself to a small region and the area around, which could be reached under primitive methods of transportation. Civil rights carried with them free competition, free contract and the personal freedom of choice. The railroad and steamship opened the market, the latter first by sea, the former later on land, and the growth of the factory system brought a new competition before unknown, over an entire continent. This has grown so familiar in an age when the product of a single pottery in Staffordshire may be found on the shop shelves of the civilized world, that it is difficult for us to recollect that in lands still under primitive conditions and in all lands, as the collector well knows and is still the case in China, the methods, the shapes, the patterns, the decoration, the colors and the character of the ceramic wares of a country change wholly with every few miles, so that each region feels little or no stress of competition from another.

As capital developed the factory system and as labor grew in organization, both these factors have sought to limit free competition and free contract. Cheap transportation had created free competition, and the most deadly assault on its development and extension was carried out by rebates on railroad rates and special contracts on steamship lines, such as the House of Lords approved in the Mogul Steamship case twenty-three years ago, both of which have built up monopolies in trade, restricting competition in this country and in England. By an instinct as unerring as always attends the exercise of an economic appetite for larger profits, the precise cause which had created the reign of free competition was the one first attacked. In the same way as the abolition of guilds, the abrogation of industrial privilege and the opening of all pursuits and all trades to all men had created a general advance for labor, so labor laid its hand first on the old weapon of the guild, in order to create special economic groups which could protect themselves against competition.

Nowhere was the opening of cheap transportation more com-

plete or the abolition of free industrial privilege more sweeping than in the United States, and nowhere else has there been a more complete development of free competition, free contract and personal freedom. To this cause and to this more than any other must be attributed the amazing industrial advance of the United States. This is constantly laid to great resources, but these resources exist everywhere: coal, iron, fertile fields and all the illimitable products of the soil, the waters and the empire under the earth are present in many lands, but it is only here that over an entire continent just courts have enforced the free privilege of contract. Nowhere else has that embodied contract, a corporation, been given wider privileges, nowhere else has the competition created by cheap transportation been more complete, and nowhere else, be it remembered, has the determination to preserve this competition against the encroachments of capital or of labor been more constant, more continuous or more successful.

The weapons lie close at hand. Exactly as the common law through centuries had created a protection for the personal freedom of the citizen, which was at last embodied in the habeas corpus act, an enactment which only put into statutory form what was already the common law of the land, so the common law protection of free contract and free competition, which had been the common law of the land, was embodied in the Sherman anti-trust act. Exactly as the powers which the King's Bench had originally exercised, in order to protect the citizen against the encroachment of the donjon keep and baron and all the special rights which permitted imprisonment, without due process of law, were disregarded by royal judges when the Crown sought to extend arbitrary powers, so the free industrial systems built up by free contract and free competition after they grew great and extended into combinations sought first to encroach upon and then to destroy the very regime by which they had grown both profitable and beneficent. The same freedom of association for all men, which had been thrown wide open when guilds and the special privileges of trade associations were destroyed by statute and far-reaching decisions in England and in this country, was employed by labor to forge anew the fetters from which the industry, the energy and the efficiency of the individual had been unloosed.

No one has profited more by this freedom than labor itself. It is not only that wages are higher in this country, so that allow-

ing for every difference in price the purchasing power of wages is, as an English department has recently ascertained, nearly one and a half times greater than it is in England, and the share in the results of every industrial enterprise divided between capital and labor is far greater for labor than for capital in this country, as compared with Great Britain. Of the gross earnings of our railroad systems, nearly one-half go to labor in various forms, and considerably less than one-third of the return on capital in dividends and in interest. In England the share given to capital, instead of being one-third that paid out in wages is actually larger. This same proportion follows through the entire industrial system of Great Britain and the United States in our factories and in our mines; in our retail stores and in all our agencies of distribution the same broad fact appears that the share of every hundred dollars paid out in wages and paid out in the return on capital is relatively far greater in this country for wages than it is on capital. Free competition has done more to accomplish this than any other cause. The capital employed in American railroads, taking as a measure the par value of shares and bonds, reaches \$17,000,000,000 on 223,000 miles, taking 1908 as the year of comparison. In the United Kingdom the total capital is about \$6,500,000,000. This disparity, roughly expressed by an average capital per mile in the United States of \$75,000 per mile and in England of \$300,000 per mile is, as we are all perfectly well aware, by no means a measure of the relative expenditure of capital on both systems. In England the general practice has been to carry to the capital account all expenditures which added permanent improvements, and, in many cases, new equipment. In the English railroad practice, as in the English practice in municipal enterprises and in manufacturing, no adequate depreciation account is carried. The English railroad system is still vainly endeavoring to pay interest on the cost of engines long since scrapped and rails long since replaced. Were the accounts of a system like the Pennsylvania Railroad to be rewritten upon English lines, its capital expenditure per mile of line would be greatly increased. Free competition in this country has brought a pressure on every enterprise which has made the scrap heap an economic asset of the first magnitude in the development of the country. As far as possible, additions are carried in maintenance accounts, capital is restricted, and much that would be accepted as capital expenditure and a profit jealously sought upon it in England

has here gone to the national scrap heap. The pressure of free competition has forced this practice.

In England, on the other side, the railroad system, from the start, has been closely interlinked, because, under the English railroad system, the capital of the country, very largely centered in a few hands, has constantly labored for the preservation of the capital rather than for the efficiency of the line. When we speak of free competition we are not alone narrowing ourselves to the limited economic outlook, we are remembering also the free social competition which makes all careers open, which does not, as in England, feel that a railroad board of direction commands a greater public confidence because it has on it members of the group of ruling families which has, through generations, enjoyed through rank, privilege, and in many cases, inherited ability of a high order, a practical monopoly. There are great families in England, like the Cecils, wise enough to enter early on the railroad system, who have had a weight in railroad management as great as that in affairs and have exerted themselves in both instances for the conservative protection of the profits of capital. The system of which they were a part relieved them from the free competition which pulses like an electric current through the whole American railroad system, in which the new man is perpetually, decade by decade, appearing and revolutionizing all that has gone before, scrapping in his operations, shares, bonds, roadway, equipment, and adding a new increment of efficiency, not only to the lines which he directs and controls, but to the entire transportation of the country. Such a man was Harriman. The free competition of a continent made his career possible.

The practical result and the advantage of free competition might be rested on these two railroad systems alone. Under the widespread habit of all competing for the advantages of competence, due to a universal social competition, the owners of the American railroad system number, as nearly as can be ascertained, 1,000,000, without taking into account the indirect ownership of depositors in savings banks and the holders of life insurance. The total number employed on American railroads, in 1908, aggregated 1,436,275. The number employed on English railroads is about 700,000, half those employed in this country, with the inevitable result of wages so low that over nine-tenths of them receive only one pound per week. The total yearly compensation paid in the United States to all rail-

road employees was \$1,035,000,000. The amount paid in England in wages was about \$180,000,000 for the same year. While the number of American employees was about twice that in England, the total sum disbursed in wages is between six and seven times as great. The capital embraced in American railroads, earned dividend and interest in all shapes, \$700,000,000. The amount disbursed in England for the same purpose was \$206,000,000. While the ratio between the wages fund in both countries was as six to one, the ratio between the profits of capital was three and one-half to one.

These contrasts could be carried through the whole system of industry, as contrasted between England and America, or any European country and the United States and through all of them there would be found similar ratios of a larger share given here to wages and lesser share given to capital, and in all fields, as a result of free competition, a higher efficiency of labor and a sharper struggle to maintain the efficiency of capital and to prevent the dead hand of the past from reaching into the profits of the living present. Maintain free competition and this great progress can be preserved through all the future. Maintain the freedom of transportation and equal privileges upon it, and no matter how great the combination may be, it will be true of it, as it has been true of the Steel Trust, the Rubber Trust, the Sugar Trust and the Woolen Trust, that each decade sees them control a smaller fraction of the industry than at the beginning. Break up by the unflinching enforcement of the principles in the "Sherman Act" any combination which seeks to prevent this operation of free competition, and the same process will go on in every industry. Through twenty years, step by step, the judicial power of the people, that great arsenal in which, from the early days, wherein the King's Writ began to run through all his kingdom and override all lesser jurisdiction, the weapons of freedom and free competition were forged, generation by generation, has been here also protecting this great inheritance. The last great decisions on the Standard Oil and the Tobacco Trust are destined to be the charter of free competition to the American people through all their future. The general principle of the common law has been clear from the beginning, that no power within the state was permitted to have a possibility of interfering with the personal freedom of the subject, and these decisions, consciously and unconsciously applying the early principle which broke into every castle keep and, freed from ancient preju-

dice, the restraints laid upon personal freedom and trade alike, have laid down the principle that the mere fact that a corporation had the power to interfere with competition was sufficient cause for its dissolution. Time will be needed for this to work out its full force in its full application. Exactly as the reader of English history is familiar with the pages in which special privileges, here and there, like those of the City of London, of the Palatinate and of other lesser jurisdictions survived, interfere here and there, as Blackstone notes from time to time with the uniform and general jurisdiction of the central court of the realm and royal sovereignty, so there will be a penumbral season in which a well-managed trust will divide up into fragments:

Quinquaginta atris immanis hiatibus Hydra  
Saevior intus habet sedem,

which Virgilian line, freely translated, means that the hydra is more dangerous than ever seated within, when divided into fifty dark and formless parts. But the American people, with that instinct alike for self-rule and for empire which has unconsciously guided them through a century and a third, often blundering as to means, but never swerving as to ends, is determined to maintain the regime of free competition at all hazards, and in the end capital struggles in vain to secure the privileges of the past, and labor, which vainly seeks to impose upon itself the old chains of guild and caste, will be both forced by a sovereign people greater than either, to accept that universal rule of free competition, free contract and personal freedom, on which rests alike the safety of the republic and the prosperity of its citizens.